

COLORADO DEPARTMENT OF HEALTH CARE POLICY AND FINANCING; FY 08-09 BUDGET REQUEST

Schedule 13 Change Request for FY 08-09 Budget Request Cycle											
Request Title:		Decision Item FY 08-09	Base Reduction Item FY 08-09		Supplemental FY 07-08		Budget Request Amendment FY 08-09				
Department:		Health Care Policy and Financing		Dept. Approval by:		John Bartholomew		Date:		November 1, 2007	
Priority Number:		DI-9		OSPB Approval:		<i>[Signature]</i>		Date:		10/17/07 for 11/1/07	
	Fund	1 Prior-Year Actual FY 06-07	2 Appropriation FY 07-08	3 Supplemental Request FY 07-08	4 Total Revised Request FY 07-08	5 Base Request FY 08-09	6 Decision/ Base Reduction FY 08-09	7 November 1 Request FY 08-09	8 Budget Amendment FY 08-09	9 Total Revised Request FY 08-09	10 Change from Base (Column 5) FY 09-10
Total of All Line Items	Total	16,456,965	17,755,055	0	17,755,055	19,884,683	94,337	19,979,020	0	19,979,020	66,837
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,641,302	7,756,051	0	7,756,051	8,254,995	47,169	8,302,164	0	8,302,164	33,419
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	154,890	0	154,890	216,481	0	216,481	0	216,481	0
	CFE	407,157	607,032	0	607,032	2,148,288	0	2,148,288	0	2,148,288	0
	FF	9,408,506	9,237,082	0	9,237,082	9,264,919	47,168	9,312,087	0	9,312,087	33,418
(1)Executive Director's Office - Personal Services	Total	15,260,951	16,715,590	0	16,715,590	18,860,743	27,500	18,888,243	0	18,888,243	0
	FTE	225.36	245.30	0.00	245.30	259.50	0.00	259.50	0.00	259.50	0.00
	GF	6,054,845	7,261,822	0	7,261,822	7,768,653	13,750	7,782,403	0	7,782,403	0
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	140,495	0	140,495	212,681	0	212,681	0	212,681	0
	CFE	399,006	592,486	0	592,486	2,121,195	0	2,121,195	0	2,121,195	0
	FF	8,807,100	8,720,787	0	8,720,787	8,758,214	13,750	8,771,964	0	8,771,964	0
(1)Executive Director's Office - Operating Expenses	Total	1,196,014	1,039,465	0	1,039,465	1,023,940	66,837	1,090,777	0	1,090,777	66,837
	FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GF	586,457	494,229	0	494,229	486,342	33,419	519,761	0	519,761	33,419
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	14,395	0	14,395	3,800	0	3,800	0	3,800	0
	CFE	8,151	14,546	0	14,546	27,093	0	27,093	0	27,093	0
	FF	601,406	516,295	0	516,295	506,705	33,418	540,123	0	540,123	33,418
Letternote revised text: Cash Fund name/number, Federal Fund Grant name: FF: Title XIX IT Request: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Request Affects Other Departments: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, List Other Departments Here:											

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Health Care Policy and Financing
Priority Number:	DI-9
Change Request Title:	Information Technology Replacement Plan

SELECT ONE (click on box):

- ☒ Decision Item FY 08-09
- ☐ Base Reduction Item FY 08-09
- ☐ Supplemental Request FY 07-08
- ☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
- ☐ An emergency
- ☐ A technical error which has a substantial effect on the operation of the program
- ☐ New data resulting in substantial changes in funding needs
- ☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request is for increased funding of \$94,337 total funds to reinstate a computer and peripheral equipment life cycle replacement program and to re-establish a funding stream to pay for obligated software license renewal costs that are incurred annually. Of the total, \$27,500 is for one time Personal Services funding to obtain a contractor to assist in the Department's website redesign.

Background and Appropriation History:

OPERATING INFORMATION TECHNOLOGY FUNDING

Prior to July 1, 2001, the Department of Health Care Policy and Financing adhered to the Governor's Office of Information Technology's guidelines to schedule computer replacements on a three year cycle. However, as a result of the economic downturn that affected State revenues in the FY 01-02 and FY 02-03 time period, Departmental funding for a variety of appropriations and expenses was cut to stay within the decreased tax revenues. At that time, funding for internal information technology hardware and software needs in the Department's Operating Expenses appropriation was purged. The total amount eliminated from the Department's Operating Expenses appropriation during

Figure Setting was \$121,082 (Figure Setting, March 11, 2002 pgs. 46, 63, 212). At that time, the Department was authorized 180.6 FTE. Since then, the Department has been forced to divert funding from other operating expense commitments in order to also provide the technological infrastructure for its employees to perform their jobs.

To be as transparent as possible the Department readily admits that it has continued to fund its Information Technology needs during these years where no specific funding was provided. However, costs continue to rise for other operating expenses such as mileage reimbursement for employee travel to perform their oversight responsibilities, medical association dues increases for organizations that provide best practices information and trainings, advertising costs for hard to fill medical specific positions, office supplies and replacement furniture. As a result, the Department is encountering an increasing struggle to find available funds to provide new employees with needed equipment and to replace worn out equipment for staff, while at the same time, funding critical administration costs for Department programs and oversight. The Department has implemented cost savings wherever possible, such as using scanners to digitize documents that used to be printed, copied and mailed; and restricting employee travel to the minimum amount necessary. However, these types of cost saving opportunities are all but fully recognized and implemented.

For FY 07-08, the Department was appropriated \$1,003,515 total funds through the Long Bill (SB 07-239) for its operating expenses. This amount represents a \$1,502 or 0.15% net increase in the appropriation from the FY 06-07 Long Bill (HB 06-1385) appropriation of \$1,002,013. At the same time, the Department's Long Bill FTE appropriation increased from 222.7 in FY 06-07 to 238.0 in FY 07-08 or 6.8%.

From this total appropriation, the Department is obligated to pay for its telecommunications expenses and staff supplies that are forecast to total \$280,000 and \$60,000 respectively. It also must fund a portion of the Enrollment Broker – managed care client materials, required by SB 97-005 for \$97,848 annually – and \$30,645 for the operating portion of the managed care Ombudsman program. These required

expenditures alone consume \$428,493, or 42.7%, of the Department's total operating budget. This leaves \$575,022 total funds available to fund all other operating expenses incurred by the Department, including: routine printing, copying, postage for audits and reviews of nursing facilities, behavioral health organizations and other providers, and computer infrastructure replacements for 245.3 appropriated FTE (not considering temporary staff, contractors, or auditors).

When the Department is also forced to pay for the information technology hardware and software needs of 245.3 FTE employees (from the Department's FY 08-09 Base Request), plus temporaries, interns, and contractors, without additional funding, it must make difficult decisions regarding which program services to fund. As a result of these cuts, the Department has acquiesced its administrative responsibilities for many programs that it oversees. Facility reviews and audits are not performed in a timely manner due to a lack of funding. Implementation of new programs is delayed due to a lack of available resources. Staff training and development is foregone, affecting morale, productivity and turnover. Training for health care providers is not provided as there is little funding available to send trainers into the field. Relationships with counties have suffered due to a lack of oversight and direction. For example, SB 06-219 allocated \$870 in operating expenses for the 1.0 FTE appropriated to travel to the counties throughout the State in the position of County Liaison for the Department. However, travel to the 64 counties within Colorado including hotel, mileage and per diem, will require considerably more than this appropriated amount.

Currently, 31.2% of employees in the Department are using computers that are 4 or more years old as of July 2007, with some monitors up to 10 years old. Due to a lack of funding, when new employees are hired, computers and peripheral equipment must be pulled together from 5-6 year old equipment to create a workable machine. Additionally, due to lack of funding for computer replacements, the Department is forced to choose between funding administration costs to support programs and providing the necessary tools for an employee to perform their work. As a result both program services and employee morale suffer from inadequate resources.

AGENCY WEBSITE

Like all other State agencies, the Department provides some basic information to its provider community, clients, and advocacy groups via an external website. Currently, simple updates to this site are performed by Departmental staff. When extensive changes and redesigns are required, the Department coordinates with another vendor, CGI, to perform changes. All modifications utilize the Department's Operating Expenses appropriation for revenue, as there is no dedicated funding for this purpose. CGI also hosts the Department's web portal which is used to transmit data to and from the Medicaid Management Information System; however, changes to the Department's external website are not part of CGI's contract related to the web portal appropriation.

General Description of Request:

This request is for \$94,337 total funds in FY 08-09 to provide funding for the Department's computer software and hardware needs and support the Department's external website transition to the Statewide Internet Portal Authority. This amount was determined using the Department's calculation of the anticipated annual cost to implement the IT replacement plan, less the average annual amount the Department has managed to spend on IT infrastructure over the most recent three Fiscal Years. The information below is provided to substantiate the Department's annual IT needs.

SOFTWARE:

The Department incurs approximately \$48,450 per year in Microsoft Software license renewal costs to pay for roughly 280 Microsoft application and server licenses. This 280 number includes licenses for: the Department's appropriated FTE, for contractors, temporary employees, consultants, and with the recent July 1, 2007 elimination of the Office of Colorado Benefits Management System, for the additional 12 at-will staff that are now Department FTEs. The Department purchases license renewals to insure that it can upgrade the software as newer versions are released and to comply with the

Governor's Offices of Information Technology's end user computing standard specifications. This annual amount is based on a three year license renewal plan.

In addition to Microsoft software, \$12,511 is needed annually for other software license renewals that the Department requires for: HIPAA compliance, employee help desk support, connectivity to email for offsite employees frequently working away from the office, Crystal reports for the Business Utilization System, and for maintaining the Department's network's security and back-up capabilities.

HARDWARE:

As of June 2007, the Department of Health Care Policy and Financing has approximately 280 positions, including temporary employees, interns, contractors, or auditors working at any given time in its two locations. Additionally, the Information Technology Support section requires computers for administrative tasks, spares and testing.

With this request, the Department is attempting to re-establish a replacement cycle using a four year replacement schedule. While this is not in line with the Governor's Office of Information Technology's end user computing standard specifications that propose a three year replacement life cycle, the Department believes its request demonstrates frugality with tax payers' money, yet allows the Department to address an issue that is constricting its ability to meet its administrative obligations. The Department believes that by purchasing a higher quality machine, it can use them for a longer period than outlined by the Governor's Office of Information Technology's recommended guidelines and realize lower costs in the long run for the State. This plan is based on the Department's recent history of utilizing computers for four years before age and technological advances render the machines obsolete. As stated above, there are roughly 87 Department computers that will be at least five years old by FY 08-09 (20 will be six years old by FY 08-09). The Department is forecasting a funding need for computers in the amount of \$68,950 to replace approximately 70 workstations per year.

The Department is also seeking to implement a 4 year replacement cycle for its computer monitors. Again, based on recent history, the Department believes it can utilize monitors for this period of time before the screen deteriorates to the point that they must be replaced. The Department projects it will require \$14,000 annually to purchase roughly 70 monitors per year. The Department will purchase flat panel monitors rather than Cathode Ray Tube (CRT) monitors that it has been using to this point, as CRT monitors are being phased out of production by manufacturers.

For FY 07-08, the Department has fourteen servers in operation. The Department is projecting it will require \$21,000 annually to implement the replacement plan using a three year replacement cycle. A three year replacement cycle is necessary in order to maintain support for the evolving software technology demands that are placed on the servers themselves. The need for newer systems with higher capacities are also driven by ever increasing data services load requirements that develop from a user base with continually expanding data needs.

In many instances, new upgraded hardware is required to support the upgraded software. Additionally, server maintenance costs begin to become excessive after equipment has aged three years. Systems typically come with three year on site warranties that are upgraded by the Department to incorporate a rapid response component (four hour response) from the service vendors. The rapid response is necessary due to the critical nature of the servers in providing support to the Department's user base. Purchasing additional years on these warranties are typically cost prohibitive to the point where it becomes more cost effective to replace the device instead. To go with a longer refresh cycle would just shift the Department's costs from acquisition to maintenance contracts, and at the same time would increase the probability of having disruptions in service to the users when necessary repairs are made.

The Department also has numerous network switches, uninterruptible power supply devices, printers, fax machines and yearly maintenance for the server room air conditioning unit. The Department maintains a service agreement as it does not have a

redundant air conditioning unit in its server room as best practices would dictate. This is necessary to protect the Department's crucial data. The Department foresees a funding need of \$29,575 annually to meet these replacement and maintenance needs.

PERSONAL SERVICES:

The Department is also requesting one-time funding of \$27,500 for contracted personal services to transition its external website from CGI Information Systems and Management Consultants Inc. (CGI) to the Statewide Internet Portal Authority (SIPA) for hosting. SIPA is the official State web portal. The Department has determined through focus groups that its external website is confusing to the public due to its use of technical or department specific language that has little or no meaning to many of its clients. The Department's external website task force was charged with improving the usefulness of the external website for the general public and is looking to migrate hosting of the site. Overall content management is offered by SIPA at no cost to the Department. Therefore, this request is only to move the existing structure of the website to the new vendor, provide one-time funding for graphic design, and to translate the Department's website content to Spanish, as required by the federal Office of Civil Rights Title VI regulations.

Consequences if Not Funded:

If this request is not approved, the Department would need to continue to make ever increasingly more difficult trade-offs between providing its employees the resources they need to perform their functions or providing crucial administrative support for its providers, clients and programs. With the ever increasing complexity of programs and the number of employees working in the Department to implement these programs, the Department projects that this condition will only worsen as long as funding for hardware and software replacements is lacking.

A result of having to make these trade-offs is that the Department will increasingly acquiesce more of its administrative responsibilities for many programs that it oversees. This could result in a further deterioration of county and provider oversight and increased delays in implementing new programs and efficiencies.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Total Request	\$94,337	\$47,169	\$0	\$0	\$47,168
(1) Executive Director's Office: Personal Services	\$27,500	\$13,750	\$0	\$0	\$13,750
(1) Executive Director's Office: Operating Expenses	\$66,837	\$33,419	\$0	\$0	\$33,418

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds
Total Request	\$66,837	\$33,419	\$0	\$0	\$33,418
(1) Executive Director's Office: Operating Expenses	\$66,837	\$33,419	\$0	\$0	\$33,418

Operating Expenses - Software License Renewals			
		FY 08-09 Budget Request	FY 09-10 Out-Year
	Microsoft Software - Current Software Assurance Yearly	\$48,450	\$48,450
	E-eye Retina Software Renewal	\$3,000	\$3,000
	BUS Software Renewal	\$1,500	\$1,500
	Blackberry Software Renewal	\$2,000	\$2,000
	Help Desk Software Renewal	\$600	\$600
	Anti-Virus Software Renewal (\$4,492 every 2 years)	\$2,246	\$2,246
	LAN Backup Software Renewal (\$9,495 every 3 years).	\$3,165	\$3,165
Total Software FY 08-09 and FY 09-10		\$60,961	\$60,961

Operating Expense - Hardware						
	Useful Life (in years)	Total Quantity	Replacement Quantity	Replaceme nt Cost Each	FY 08-09 Budget Request	FY 09-10 Out- Year
Workstations	4	280	70.00	\$985	\$68,950	\$68,950
Monitors	4	280	70.00	\$200	\$14,000	\$14,000
Servers	3	14	4.67	\$4,500	\$21,000	\$21,000
Computer Room UPS Devices	4	4	1.00	\$1,700	\$1,700	\$1,700
Network Switches	4	6	1.50	\$3,400	\$5,100	\$5,100
B&W Network Printers	4	17	4.25	\$3,000	\$12,750	\$12,750
Color Network Printers	4	3	0.75	\$1,800	\$1,350	\$1,350
Fax Machines	4	11	2.75	\$1,700	\$4,675	\$4,675
Yearly Maintenance on Computer Room Air Conditioner			1.00	\$4,000	\$4,000	\$4,000
Total Hardware FY 08-09 and FY 09-10					\$133,525	\$133,525
Total Hardware and Software FY 08-09 and FY 09-10					\$194,486	\$194,486

Personal Services - Contractor Costs		
	FY 08-09 Budget Request	FY 09-10 Out-Year
Website Data Migration Services	\$27,500	\$0

Annual Information Technology Expenditures FY 04-05 to FY 06-07		
Fiscal Year	Description	Total Funds
FY 04-05	Purchase/Lease of Software (3116)	\$48,652
FY 04-05	IT Personal Computers (3140)	\$70,563
FY 04-05	Other IT (3143)	\$13,990
FY 04-05	Total IT Spending	\$133,205
FY 05-06	Purchase/Lease of Software (3116)	\$43,175
FY 05-06	IT Personal Computers (3140)	\$61,905
FY 05-06	Other IT (3143)	\$11,820
FY 05-06	Total IT Spending	\$116,900
FY 06-07	Purchase/Lease of Software (3116) Net of FY 06-07 Move Related Expenses	\$48,488
FY 06-07	IT Personal Computers (3140) Net of FY 06-07 Move Related Expenses	\$58,122
FY 06-07	Other IT (3143) Net of FY 06-07 Move Related Expenses	\$26,220
FY 06-07	IT Server Purchases (621X) Net of FY 06-07 Move Related Expenses	\$0
FY 06-07	Total IT Spending Net of FY 06-07 Move Related Expenses	\$132,842
	Dept. Estimated Cost of Replacement Plan	\$194,486
	Three Year Average IT Expenditures	(\$127,649)
	Incremental need for IT Replacement Plan	\$66,837
	One-Time Contract Funding	\$27,500
FY 08-09	Total Department Request	\$94,337

Assumptions for Calculations:

The amounts reported above are the actual amounts being expended for software license renewals and recent equipment purchases as quoted by current vendors, except for servers. Servers vary widely in price depending on the particular functions the server needs to support. With prices ranging from \$2,000 to \$21,000, the Department has used an average price of \$4,500 per server for this request.

The reason the Department is requesting 280 workstations and monitors in its replacement plan is due to the Department utilizing temporary employees, contractors and interns wherever possible to meet the short term needs of the business (this figure includes the new 12 FTE from the dissolution of the former Governor's Office of CBMS).

The Department uses network printers to allow multiple employees access to the same machine and to keep costs down; however, Department personnel occupy 6 different floors in two separate buildings, therefore there is a need to have them strategically placed for employee use.

The migration of the current website to SIPA will require a contractor at a projected cost of \$5,000. Graphic design of the website and any outside requests beyond what SIPA provides is billed at an hourly rate. The graphic design and help capabilities are projected to be \$7,500. Additionally, in order for the Department to comply with the federal Office of Civil Rights Title VI regulations, the external website needs to be translated into Spanish for our Spanish speaking clients. This translation will require a contractor at a projected cost of \$15,000.

The total request amount was determined using the Department's calculation of the anticipated annual cost to implement the IT replacement plan, less the average annual amount the Department has managed to spend on IT infrastructure over the most recent three Fiscal Years. The information below is provided to substantiate the Department's annual IT needs.

Impact on Other Government Agencies:

None

Cost Benefit Analysis:

Cost	Benefits
FY 08-09: \$94,337, FY 09-10: \$66,837	By restoring funding for the Department's Information Technology needs, staff productivity will increase as higher quality and better integrated equipment is used to perform their functions. The Department will also be able to allocate its scarce operating resources in a more productive manner to insure the needs of its clients are met. Spanish speaking citizens will be better able to utilize services as the Department will be communicating in their language.
\$0	None. Administrative responsibilities for programs will continue to be squeezed as available funding continues to diminish. Administrative and oversight functions will continue to be cut as trade offs for these scarce funds are allocated to more and more programs.

Statutory and Federal Authority:

24-1-107, C.R.S. (2007). Internal organization of department - allocation and reallocation of powers, duties, and functions - limitations. *In order to promote economic and efficient administration and operation of a principal department and notwithstanding any other provisions of law, except as provided in section 24-1-105, the head of a principal department, with the approval of the governor, may establish, combine, or abolish divisions, sections, and units other than those specifically created by law and may allocate and reallocate powers, duties, and functions to divisions, sections, and units under the principal department, but no substantive function vested by law in any officer, department, institution, or other agency within the principal department shall be removed from the jurisdiction of such officer, department, institution, or other agency under the provisions of this section.*

25.5-1-104 (2) (4), C.R.S. (2007). Department of health care policy and financing created - executive director - powers, duties, and functions...(2) *The department of health care policy and financing shall consist of an executive director of the department of health care policy and financing, the medical services board, and such divisions, sections, and other units as shall be established by the executive director ...* (4) *The department of*

health care policy and financing shall be responsible for the administration of the functions and programs as set forth in part 2 of this article.

Performance Measures:

If this Request is approved, the Department will have more funding for administrative resources to support both needed programmatic items such as printing, postage, mailings, travel and lodging associated with county and provider oversight, and also to still support Department employees' productivity through additional computer hardware and software. These administrative resources will help achieve some of the Department's Performance Measures, including those that support the Governor's *The Colorado Promise*:

- Increase the number of clients served through targeted, integrated care management programs.
- Increase the number of children served through a dedicated medical home service delivery model.
- Increase number of managed care options for clients enrolling in Medicaid.